

Message Text

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ACTION EUR-12

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COME-00 EB-08 EA-12 FRB-01 INR-07 NEA-10 NSAE-00
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INFO ALL EC CAPITALS

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UNCLAS BRUSSELS 18158

USEEC, PARIS FOR USOECD

E.O. 11652: N/A

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SUBJ: EUROPEAN COUNCIL, DECEMBER 5-6, 1977: ARTICLE 131
OF ACCESSION TREATY

REF: BRUSSELS 16974

1. THE DECEMBER 5-6 EUROPEAN COUNCIL BROKE THE LONG
DEADLOCK OVER DIFFERENCES OF INTERPRETATION OF ARTICLE
131 OF THE ACCESSION TREATY (WHICH PLACES A CEILING ON
THE INCREASE IN RELATIVE SHARES TO BE PAID INTO THE EC
BUDGET BY THE NEWEST MEMBER STATES DURING 1978 AND 1979)
IN CONNECTION WITH THE CHANGEOVER OF THE BUDGET TO A
EUROPEAN UNIT OF ACCOUNT (EUA) BASIS (REFTEL).

2. THE COMPROMISE SOLUTION AGREED BY THE EC HEADS OF
GOVERNMENT INCLUDES THE FOLLOWING ELEMENTS:

(A) THE 1978 BUDGET WILL BE ESTABLISHED IN EUA.

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(B) IN THE FIRST ROUND OF THE CALCULATION, EACH
MEMBER STATE WILL DETERMINE ITS PERCENTAGE SHARE OF
THE 1978 BUDGET ACCORDING TO ITS OWN CHOICE BETWEEN THE
TWO INTERPRETATIONS OF ARTICLE 131 (I.E., EITHER THE
COMMISSION INTERPRETATION, WHICH CALLS FOR RELATIVELY
LOW U.K. AND IRISH CONTRIBUTIONS, OR THE INTERPRETATION

FAVORED BY THE OTHER SEVEN MEMBER STATES). SINCE THE SUM OF THE PERCENTAGE SHARES CHOSEN ACCORDING TO EACH MEMBER STATE'S PREFERENCE ADDS UP TO LESS THAN 100 PERCENT, THIS FIRST ROUND OF CALCULATIONS WILL LEAVE A 406.9 MILLION EUA SHORTFALL (3.567 PERCENT OF THE BUDGET TOTAL).

(C) EACH MEMBER STATE WILL THEN HAVE THE CHOICE OF ONE OF FOUR KEYS FOR DETERMINING SHARES OF THE REMAINING AMOUNT, (THE FOUR KEYS, WHICH WERE AGREED BY MEMBER STATE EXPERTS ON DECEMBER 5, ARE BASED UPON CONTRIBUTIONS TO EC "OWN RESOURCES", VAT EARNINGS, 1976 GNP, AND A STRAIGHT 3.567 PERCENT PROPORTIONAL PAYMENT).

(D) THIS SECOND ROUND OF CALCULATIONS WILL AGAIN LEAVE A SHORTFALL, BUT OF A RELATIVELY SMALL AND ACCEPTABLE AMOUNT (47.29 MILLION EUA). THE FINANCE COUNCIL IS TO DECIDE ON HOW TO FINANCE THIS RESIDUAL.

(E) SUPPLEMENTARY BUDGET CONTRIBUTIONS UNDER THIS COMPROMISE SYSTEM WILL ACTUALLY BE MADE OUTSIDE THE BUDGET PROCESS ON A QUARTERLY BASIS.

3. THE DECISION ON ARTICLE 131 WAS HAILED BY COMMISSION PRESIDENT JENKINS, WHO TOLD REPORTERS IT REPRESENTED A "CONSIDERABLE" ACHIEVEMENT WHICH WILL HAVE A "VERY MAJOR UNCLASSIFIED

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IMPACT UPON THE FUTURE OF THE COMMUNITY". CERTAINLY THE UK AND IRELAND HAVE REASON TO BE SATISFIED WITH THE OUTCOME, AS THE BRITISH WILL NOW HAVE TO PAY ONLY AN EXTRA 40 MILLION POUNDS IN 1978 AND 12 TO 15 MILLION POUNDS MORE IN 1979, RELATIVE TO THEIR 1977 CONTRIBUTION OF 1.14 BILLION POUNDS; THE IRISH WILL PAY ONLY AROUND 20 MILLION POUNDS EXTRA ANNUALLY FOR 1978 AND 1979. BOTH WOULD HAVE HAD TO PAY CONSIDERABLY MORE (A TOTAL OF 500 MILLION POUNDS MORE OVER TWO YEARS FOR THE UK) IF THE OTHER MEMBER STATES HAD SUCCEEDED IN FORCING THROUGH THEIR INTERPRETATION OF ARTICLE 131. WE HAVE BEEN TOLD BY A BELGIAN PERMREP OFFICIAL THAT BELGIUM AND ITALY WILL ACTUALLY OWE MORE UNDER THE COMPROMISE THAN IF THEY HAD ACCEPTED THE ORIGINAL COMMISSION INTERPRETATION, WHICH THEY OPPOSED. IN THE BELGIAN CASE, THE EXTRA PAYMENT WILL AMOUNT TO AROUND 600 MILLION FRANCS FOR 1978.

4. THE EUROPEAN COUNCIL'S DECISION MUST STILL BE FORMALLY APPROVED AS COMMUNITY LEGISLATION BY THE EC COUNCIL.
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